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Ambassador

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11. (SBU) Summary: Statoil Chief Executive Officer Helge Lund provided the Ambassador with an overview of the company's investments in the United States, Russia, Iraq, Iran and Norway in a meeting on December 18. He stressed Statoil's transparency with the USG with respect to past investments in Iran and reiterated the company's commitment to abstain from new investments there. Lund also shared his views on the environmental benefits of natural gas use and suggested that carbon capture and storage (CCS) should focus on natural gas rather than coal. End Summary.

12. (U) In a meeting with the Ambassador on December 18, Statoil CEO Helge Lund offered a tour d'horizon of the majority state-owned firm's investments and strategy in several countries, as well as his views on domestic energy policy in Norway.

13. (SBU) Carbon Capture and Storage: Lund opened by discussing the need to maintain a balance between pursuing "green" technologies and increasing shareholder value, while positioning the company for a world with higher future carbon prices. He said he was looking to the United States to help solve problems with carbon capture and storage (CCS) technology. The Ambassador noted Secretary Chu's recent visit to the Test Center Mongstad (TCM) CCS site, but stated that the United States had not committed to any specific path on the CCS issue. Lund opined that clean coal is not a realistic objective and that CCS would only work with natural gas. The environmental benefits of focusing on greater use of natural gas have been underestimated. However, he said he anticipated potential environmental objections to the exploitation of shale gas.

14. (U) U.S. Investments: Statoil has invested USD 10 billion in the United States in the last five to six years. Lund commented that Statoil had a good partnership with Chesapeake, a U.S. firm that it invested in several years ago. Recent increases in U.S. gas supplies have implications for Europe's energy balance, since more liquefied natural gas (LNG) will be available for European consumers. This will reduce the continent's dependence on Russian supplies. Lund suggested that the U.S. might even be in a position to export gas in the future. He also mentioned a feasibility study for wind power underway with the University of Maine. Lund emphasized his desire to maintain dialogue with the USG.

15. (SBU) Iraq: Lund said that Statoil needed its "play" in Iraq, if only in partnership with another firm (Lukoil). He expressed some concern about both the security risks of working in Iraq and the political risks associated with upcoming elections, though he reported that visiting Foreign Minister Zebari indicated the

elections would not threaten energy contracts. Lund characterized Iraq's bidding process as well-organized and transparent. He opined that forecasts that Iraq will manage to ramp up oil production from 2-3 million barrels per day (mbpd) to 12 mpbd in seven years were unrealistically optimistic.

¶16. (SBU) Iran: The Ambassador asked Lund about Statoil's investments in Iran. Lund stressed that the company held to its 2008 commitment not to undertake new investments in the country and was committed to sharing information with relevant authorities, including the USG, on its activities. Regarding South Pars 6, 7 and 8, Statoil has completed the project and is now being repaid for its investment. He noted there was some inaccurate information in the public sphere about the size of Statoil's investments in Iran and was concerned that accurate information be made available to us. Lund told us Statoil was willing to provide additional information if needed. Note: Earlier that day, Statoil executive Gunnar Myrvang called Poleconoff on this issue. He noted that a Congressional Research Service report cited investments of USD 2.65 billion in South Pars 6,7, and 8 but said Statoil estimates its spending on this project totaled USD 700 million plus or minus USD 50 million (ref C). End Note. Noting that Statoil was doing all it could to be transparent and to maintain a dialogue with the USG on Iran, Lund said he hoped that Statoil would not be singled out for sanctions. He added that sanctions on Iran would not be effective unless Russia and China participated in them.

¶17. (SBU) Norway: Lund pointed to declining oil and gas production as a large challenge for the country. He asserted that over 70 percent of Storting (Parliament) MPs would support opening the Lofoten/Vesteralen offshore area to exploration and development over the objections of environmentalists and the fishing industry if the issue were to come to a vote. He opined that the governing Labor Party could open the region to the energy industry if it turned to opposition parties for support on this specific measure. Note:

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Junior coalition partners the Socialist Left Party and the Center Party are strongly opposed to opening the region to energy development. End Note.

¶18. (SBU) Russia: Lund told the Ambassador that there are huge (3700 billion cubic meters) gas reserves at the offshore Shtokman field and that the necessary technology is available to develop the field, but the project faces a number of serious challenges, including: lack of local infrastructure combined with local content rules; risk of low gas prices continuing into the future, thanks to the impact of shale gas discoveries; and overall political risk. Lund said he was very worried about corruption and opined that it is worsening. He also observed that dealing with Gazprom, Statoil's partner in Shtokman, was essentially like dealing with the Russian Government, while dealing with Lukoil, Statoil's Iraq partner, was totally different. The Russian economy has been hit by adverse developments in both gas export volume (down 25 to 30 percent) and reduced sales prices.

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